



IoD Centre for Corporate Governance

IoDCCG DECEMBER NEWSLETTER CONTENT

Editor's Note

Dear Reader,

Welcome to the last edition of IoD Centre for Corporate Governance Newsletter in 2020.

The year 2020 has been one of disruptions — boards should be working hard to identify the lessons it taught as they prepare for the New Year (2021). As the year draws to a close it's no exaggeration to say the business environment has undergone a seismic disruption, the full implications of which will only emerge with time. But several board governance lessons are already evident, and boards should be acting to take them on board.

While 2020 will forever be associated with the emergence of the Covid-19 pandemic and the extreme reaction to it, other important issues also surfaced during this period, and boards should not fail to consider their significance.

To further this discourse, in this edition, we bring to you corporate governance updates around the globe. IoD Centre for Corporate Governance appreciates your partnership and support through the year and looks forward to an even more productive 2021.

We hope you find this edition of Newsletter an interesting read and wish you a Merry Christmas and a prosperous New Year

For contributions and comments please **contact:** publications@iodccg.com or info@iodccg.com

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IoDCCG Holds Annual Board Leadership Conference

The 2020 edition of the Board Leadership Conference with the theme, "Towards Achieving Transformational Board Leadership" was tailored to serve as a refresher training for new and existing directors and to further enhance the knowledge of directors who have undergone similar training as well as for others directors who may not have had a formal Corporate Governance and Board Leadership training.

Presenting the Keynote Address at the virtual Conference, Alhaji Garba Abubakar, Registrar General/CEO, Corporate Affairs Commission (CAC), represented by Alhaji Muhammed Abdul Hakeem, the Director of Compliance, CAC emphasized the importance of sound corporate Corporate Governance practices by organisations. The noted that the CAC is working towards ensuring the full entronement of corporate governance by organisations in both public and private sectors.

The conference had a host of speakers including Mr. Femi Ekundayo, Chairman, Resort Securities & Trust Ltd who led the first discussion, he spoke on *Ethics and Ethical Board Leadership vs Organisational Sustainability* he emphasised that “By institutionalizing corporate governance practice, there will be consistency in the way the business is conducted which in turn will reduce integrity risk and gradually constitute a self-regulating mechanism for avoidance of indulgence, abuse of authority or excesses in exercise of power.” He also spoke of the importance of ethical practices “Ethical practices inspire customer loyalty and Business Continuity. Directors must lead by example to promote same as shared core values”.

In the second session Dr Abiodun Adedipe of Founder and Chief Consultant B. Adedipe Associates Limited, spoke on The Role of Boards and Management in Driving Digital and Innovative Governance he emphasized the importance of the Boards involvement in innovation and sustainability and also mentioned the organizational benefits of a Board that rewards innovation and is involved through Allocation of significant resources to innovation, Rewarding innovations that succeed in the market, Refusing to punish failed innovations.

The programme rounded up with Mr Nerus Ekezie, the Acting ED of IoDCCG, thanking both the participants and speakers for their time, he reiterated the place of innovation in driving the Nigerian economy forward.

NSE Announces the Migration of Four Companies To The NSE Growth Board

The Nigerian Stock Exchange has announced the migration of four qualified companies from the Alternative Securities Market (ASeM) to the NSE Growth Board.

According to the tweet via the official Twitter handle of the Nigerian Stock Exchange, the companies migrated after being carefully reviewed in line with the listing requirements of the Growth Board and have demonstrated adherence to high corporate governance standards.

As a way of confirmation, the migration was commemorated with a virtual closing gong, spearheaded by the chairmen of the concerned companies. The four firms that migrated are: Chellarams Plc, Living Trust Mortgage Plc, McNichols Plc, and The Initiates Plc. The migration was officially announced by the Nigerian Stock Exchange on November 30, 2020.

The migration to the NSE Growth Board provides visibility for listed growth companies, with the creation of a Growth Board Index and the inclusion to the NSE All Share Index. In addition, the firm(s) will also have access to a suite of value-added services that will provide a competitive edge beyond access to capital. The NSE Growth Board was launched on 29 January 2020 to encourage startups, SMEs and the companies in the fintech industry with high growth potential to use the opportunity to raise long-term capital and promote liquidity in the trading of their shares.

Read More: <https://nairametrics.com/2020/11/30/nse-announces-the-migration-of-four-companies-to-the-nse-growth-board/>

Reminder: SEC Sets January 2021 for Implementation of Corporate Governance Guidelines

The Securities and Exchange Commission has issued a Corporate Governance Guidelines and a template (revised Form 01) for reporting compliance with the Securities and SEC Corporate Governance Guideline, (SCGG) which becomes effective on January 01, 2021.

Some provisions of the document which can be found at the SEC website www.sec.gov.ng, indicates that Membership of the Board shall not be less than five (5) and to safeguard the independence of the Board, not more than two members of the same family shall sit on the Board of a public company at the same time.

The guidelines also stipulate that in appointing a person to the Board, Shareholders should be provided with information on any real or potential conflict of interest, including whether a proposed appointee is an interlocking director, adding "The letters of appointment should cover the following: Synopsis of Director's rights; Director evaluation programme used by the company, and Any other contractual responsibilities".

On sustainability, the guideline stated "Companies shall recognise corruption as a major threat to business and to national development and therefore as a sustainability issue for businesses in Nigeria. Companies, Boards and individual directors must commit themselves to transparent dealings and to the establishment of a culture of integrity and zero tolerance to corruption and corrupt practices.

The Nigerian Code of Corporate Governance (NCCG) of 2018 issued by the Financial Reporting Council (FRC) of Nigeria effectively replaced the Code of Corporate Governance for public companies issued by the Securities and Exchange Commission (SEC). The FRC had also issued a template for reporting compliance with the NCCG 2018.

Stakeholders Seek Risk Management, Corporate Governance Systems' Review

Stakeholders in the banking and risk management sectors have called on organisations to review their risk management frameworks and corporate governance systems, to adapt to the new normal. According to the experts, every sub-sector of the economy is facing a new normal, and there is a need for businesses to ensure that their systems of governance were in line with best practices.

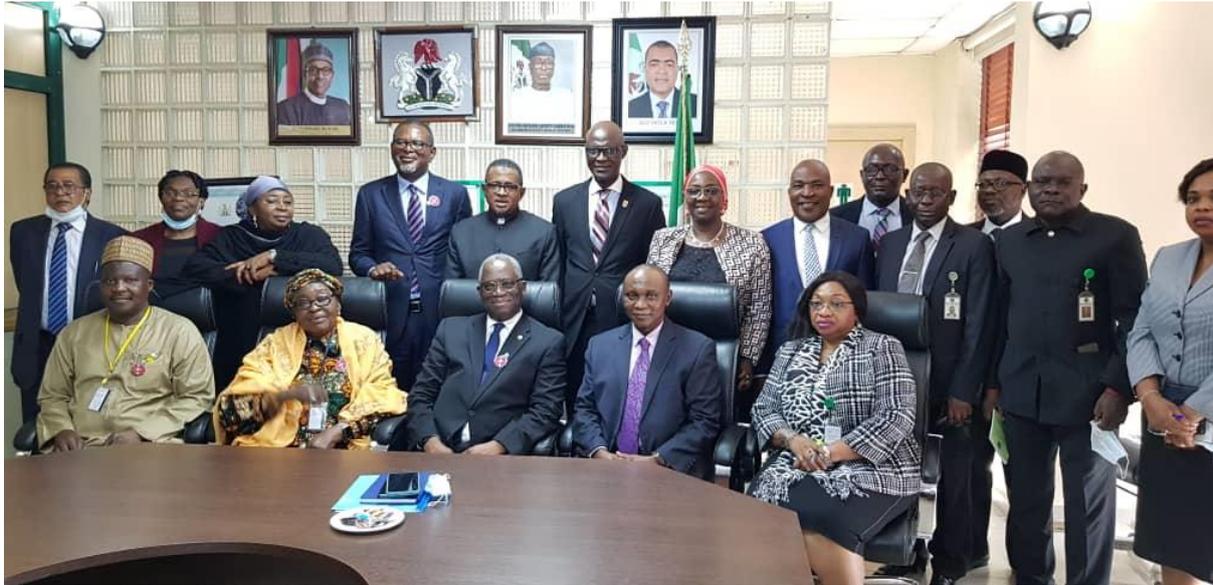
Specifically, Chairman of Board, Planet Governance Advisory, and former Managing Director/CEO, John Holt Plc, Dr. Nosike Agokei, said with the advent of COVID-19, systems of running businesses were fast-changing. He urged organisations to redesign their corporate governance frameworks for sustainability.

Speaking at the induction ceremony of members of Risk Managers Association of Nigeria (RIMAN), into the Chartered Institute of Bankers of Nigeria (CIBN) at the weekend, he said it was not enough to have a corporate governance system that did not recognise risk management as part of its framework.

According to him, there was a need to ensure that all aspects of governance within organisations were managed properly, to avert a major issue when a particular risk crystallises, noting that it was time to review risk management systems, as some organisations were still using pre-COVID-19 frameworks.

Read More: <https://guardian.ng/business-services/stakeholders-seek-risk-management-corporate-governance-systems-review/>

IoDCCG Courtesy Visit to CAC



As part of the ongoing efforts by the Board and Management of IoD Centre for Corporate Governance (IoDCCG or the Centre) to commence robust engagement with key partners and stakeholders, the Centre's Board of Governors led by the Chairman Dr. Ebun Sonaiya recently paid a courtesy visit to the Corporate Head Office of Corporate Affairs Commission (CAC) in Abuja. The IoDCCG team were received by a 14-man Senior Management team led by the Registrar General/CEO, Alhaji Garba Abubakar.

Speaking at the courtesy visit, the Chairman, Board of Governors of IoDCCG, Dr. Ebun Sonaiya, DF.IoD informed the CAC RG that the Centre has embarked on some strategic initiatives which include the institutionalisation of organisational structure and the recruitment of key officers at strategic levels. The Chairman also acknowledged the Commission's tremendous support both financially and technically towards its growth and development, especially through the immense contributions of its representatives on the Board of IoDCCG as well as its resilience in the promotion of Corporate Governance practices in Nigeria.

In his remarks, the RG/CEO, CAC, Alhaji Garba Abubakar welcomed the IoDCCG team and expressed his delight on the visit, while also acknowledging the importance of constant engagements in strengthening relationships at all levels. He also expressed the Commission's interest in the work of IoDCCG and its desire to continue to support the Centre.

The Registrar General also informed the IoDCCG team that the CAMA 2020 has now been "Gazetted" and that copies will be made available to key stakeholders, including IoDCCG in order that the true version of the document is known by practitioner and the business community for use. Other innovations and reforms on the administration of its regulatory functions on companies and entities under its purview were presented by the RG/CEO to the admiration of IoDCCG team.

The Chairman, IoDCCG Board in his closing remarks expressed excitement on the new service innovations and reforms at CAC. He noted and hoped that the results and deliverables of the renewed synergy between both our two organisations will be to our mutual benefit.

Feature Article: Seven Lessons Spring from Focus on Integrated Approach to Corporate Governance By: Parmi Natesan and Prieur Du Plessis

As the year draws to a close it's no exaggeration to say the business environment has undergone a seismic disruption, the full implications of which will only emerge with time. But several broad governance lessons are already evident, and boards should be acting to take them on board.

While 2020 will forever be associated with the emergence of the Covid-19 pandemic and the extreme reaction to it, other important issues also surfaced during this period, and boards should not fail to consider their significance. We have had graphic proof that ours is a connected world, and boards need a holistic understanding of the economic, social and environmental systems in which they operate and on which they depend. This is the primary lesson of 2020, and it implies that organisations must become more active participants in society and cannot simply react to developments.

Many — if not most — of the following lessons spring from this overarching realisation:

- ❖ **Greater focus on Environmental, Social and Corporate Governance (ESG) issues within an enhanced enterprise risk framework** - Covid-19 has shown that ESG issues pose risks that can materialise with devastating consequences. These risks are evolving fast and must be monitored constantly. More generally, SA's risk environment remains challenging, with sovereign debt, energy, water and social instability remaining high-risk issues. Another important lesson is that all risks cannot be foreseen, and thus boards should take the lead in building resilience into their organisations. Boards also need to ensure ESG is incorporated into corporate purpose, strategy, goals and executive remuneration.
- ❖ **Technology and Data Governance** - Long-made plans for digital transformation were rudely accelerated as firms pivoted to deal with the realities of remote working, and cloud adoption soared. The digitalisation of business and society has created a much more complex technology environment, a huge risk and an equally huge opportunity. All that technology is generating vast amounts of data, the governance of which is becoming key to success. Principle 12 of the King IV report on corporate governance distinguishes technology and information for good reason — though interdependent, they pose different challenges for boards.
- ❖ **Wider forms of activism and Stakeholder Engagement** - The infamous Clicks advert and the EFF's reaction to it show that activism is now a fact of corporate life. The unprecedented events sparked by the killing of George Floyd in the US further underscore this point. In both cases, corporates have chosen to appease activists, but it seems unlikely that this reactive approach is a viable long-term strategy. "Failure to embrace stakeholder governance could be the most significant risk factor, outside liquidity, facing businesses over the next 10 years," argues Board Intelligence.
- ❖ **Diversity of Boards (and EXCOs)** - Globally, in the wake of the Black Lives Matter protests boards are placing renewed focus on ethnic-racial and gender diversity. This is one area in which SA leads, but we need a mindset that goes beyond the tick-box, quota-based approach. Corporates that appreciate a strong business case for genuine diversity exists, must look at ways of better achieving it.
- ❖ **Executive Remuneration** - Disparities in pay have been an issue for some time, and have been simmering during the COVID-19 crisis. While many executives took public pay cuts, their leadership also had the unplanned effect of emphasising just how much they earn. Empowering remuneration committees with the right level of skills is critical.

- ❖ **Auditors and Audit Committees** - Steinhoff remains the poster child for corporate scandals, with some views that auditors and audit committees lack either competence or independence. Boards must ensure audit committees are properly capacitated and auditors are effectively held to account.

- ❖ **Disclosure** - There is a good argument to be made for the concept that the quality of an organisation's disclosure correlates with the quality of its governance. The "apply and explain" regime advocated by the King IV report means the board must look beyond a tick-box approach to applying its mind to achieving the governance outcomes identified in the report.